

PARTNERING: AN OPPORTUNITY FOR ENHANCEMENT OF THE SENIOR LIVING EXPERIENCE

WHITE PAPER

This white paper examines the current state of partnering in the senior living industry and its utilization as a strategy to decrease costs and enhance the senior living experience. Also covered are an in-depth analysis of the ever-changing needs and priorities of seniors, some of the challenges currently faced by senior living communities, and the many benefits associated with partnering in this industry, providing administrators with a unique perspective on how such a relationship may benefit their organization.



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PARTNERING IN THE SENIOR LIVING INDUSTRY

The United States Census Bureau projects that the number of citizens over the age of 65 will increase more than 65 percent in the next 20 years.¹ As the number of mature citizens grows in the coming years, the senior living industry must be prepared for an unprecedented demand for capacity in senior living facilities. In fact, revenues for the senior living industry as a whole, are anticipated to grow at an annual rate of approximately 4 percent through 2014.² Unfortunately, the recent recession has had a considerable impact on many seniors. Older Americans control a significant portion of the financial assets and discretionary income in the United States; however, the recession has left many with depleted savings for retirement and a sense of caution when it comes to spending money.³ Thus, aging services providers face a very unique challenge. They must be able to offer this population cost-effective housing solutions in the upcoming decades while still ensuring that the evolving expectations of their residents continue to be met. As a result, a growing number of providers have identified partnering as a strategic solution for many of these challenges since it allows them to deliver the specialized services that their customers are demanding, while also maintaining the ability to offer budget-friendly housing options to their residents.



By definition, the word partnering refers to an association between parties in a common activity or interest. In the past, partnering was utilized primarily by larger companies or organizations with sizeable budgets, but today is a very feasible option for many types of businesses across a variety of industries. These partnering companies can perform some of a community's non-core functions, allowing the organization to focus instead on core competencies that are critical to its operational success. In a successful relationship, the partnering company works synergistically with the client organization to address the many needs of the community, from cost savings to the provision of exceptional service.

PARTNERING CONCERNS AND CONSIDERATIONS

Partnering is not always viewed as a valuable solution by some organizations in the senior living market. Misconceptions about the pitfalls of partnering lead many administrators to initially believe that it will ultimately have a negative impact on their organizations. The following concerns are commonly voiced by administrators in the senior living market:

- Control over the community may be reduced.
- Quality of service may suffer.
- It may be difficult to uphold the community's mission and goals.
- Staff may be negatively affected.
- Why fix what isn't broken?

Easing these concerns and subsequent widespread adoption of partnering in the senior living industry is undoubtedly the result of the overall quality and expertise of the various partners available today. A well-structured relationship and frequent communication between community leadership and its service provider can ensure that senior living administrators and their teams maintain control. In addition, highly qualified partners understand the importance of upholding an organization's mission and goals and regularly exceed the quality of service expected by both residents and management. Senior living administrators can become accustomed to the way their community operates and may be reluctant to consider a business model that includes partnering. However, given the ever-changing expectations of seniors, it is critical that senior living communities embrace opportunities for change and innovation as they evaluate the best ways to service this evolving market.

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HOW IS PARTNERING CURRENTLY UTILIZED IN THE SENIOR LIVING MARKET?

Overall, partnering (or outsourcing) among United States industries has increased considerably over the years, expanding from 10 percent in 1998 to approximately 40 percent in 2004.⁴ Senior living and other healthcare organizations have contributed to this trend, electing outsourcing as a strategy to help differentiate their organization in the marketplace and gain an advantage over competitors. In fact, long-term care experts have recently estimated that 30 to 40 percent of senior care facilities outsource at least some part of their business.⁵ In the senior living industry, typical functions that may be assigned to partnering companies include food services, laundry service, housekeeping, human resources, clinical support, business office operations and information technology services. There are countless other opportunities for partnering in the senior living environment as well, and a variety of specialists are available today to provide the desired support.

KEY BENEFITS OF PARTNERING

The Great Recession took its toll on the senior living industry over the past few years, forcing facilities to operate under tight budgetary constraints. Recent changes to Medicaid funding, expected changes in Medicare reimbursement rates, and an overabundance of assisted living options have created a tumultuous financial environment for many senior living communities.⁶ Even with looming financial obligations, to remain competitive in the senior living industry, administrators must identify novel strategies for addressing the needs of today's seniors and exceeding the expectations of their residents. Collaboration with a partner can help navigate this challenging environment by providing several key benefits for senior living communities and their residents.

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COST SAVINGS - This is typically the most recognized benefit associated with partnering. In today's precarious economic climate, a strategy that allows the cost of a service to be reduced, while still maintaining exceptional quality, is worth investigating. For senior living communities, savings associated with partnering can be dependent on a number of factors, including both community size and the type of service that is being assigned to a partner. In many situations, partnering will provide significant cost savings; however, in some cases it may be more expensive than continuing on an in-house basis. To determine if partnering an operation within a senior care community is a smart financial decision, administrators must implement an in-depth, cost-benefit analysis of each service offered to compare the expenses associated with partnering versus maintaining in-house operation.

OPERATIONAL EFFICIENCY - Partnering with third-party providers can provide senior living communities with more time to continuously improve the services that remain in-house, to focus on the core business and to maintain the community's overall mission. In the meantime, assigned services can be managed by service specific experts. This usually results in streamlining many inefficient operations, saving senior living administrators considerable time and money.

INDUSTRY EXPERTISE - Partnering companies are specialists in their respective areas of business and maintain the skills necessary to provide an exceptional product or service. Rather than spending considerable time and resources to develop expertise and maintain costly certifications in every service offered to its residents, senior living communities can leave this to the experts and instead focus on perfecting operations that remain in-house.

REINVENTION - Partnering organizations can bring many novel ideas for innovation and advancement to the table in their areas of expertise. A good partner organization will always endeavor to find new ways to add value to the client's organization and enrich the partnering relationship. These partners will regularly evaluate strategies for enhancing the services offered in a senior living community and provide marketing support to promote that community. As a result, the senior living organization will be able to provide superior initiatives and services, leading to a clear advantage in the marketplace and distinction from other senior living providers who are comfortable maintaining the status quo.

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ACCESS TO RESOURCES - Partnering enables senior living communities to utilize the resources, skills, past experience and novel techniques that have been developed by partnering companies with significant expertise in their various support areas. A relationship with a partner company can provide enhanced access to both purchasing and service resources, allowing a senior living community to cut costs while also being able to implement initiatives that would be difficult to execute on its own. For example, partner companies can enhance the dining services in senior communities beyond the delivery of food alone by performing such functions as purchasing new furniture for the dining room, securing specialty serviceware for catered events or creating mobile dining solutions to meet the changing needs of the community.

PARTNERSHIP OPTIONS - More companies than ever before are providing solutions for senior living partners, allowing a senior living community the opportunity to find the perfect partner to suit its specific needs. In recent years, these partnering companies have been experiencing double digit growth as more and more senior living and healthcare organizations elect to partner with an expert to gain a competitive advantage.⁷ However, partnering companies vary in the client segments they service and expertise they can provide. Because of this, global partnering organizations may provide the best option for senior living communities since these type of providers have the ability to access solutions from across the spectrum of their organization (other client segments or business lines) and leverage them to specifically meet the needs of the senior living industry. While smaller partner organizations may focus on one specific solution, those partnerships miss the opportunity to drive innovation and efficiency in other client areas.



HUMAN RESOURCE ADMINISTRATION - Finding qualified staff for certain positions and navigating complex employee regulations can pose a challenge for many senior care organizations. Complying with employment laws can also consume management's time and attention and create significant barriers to ensuring quality of care and maintaining the true mission of the organization. Partnering can allow a community to take advantage of the skilled workforce provided by the partner company while also minimizing the costs and time associated with recruiting, training and employee development.

EMPLOYEE FULFILLMENT - Partnering organizations can provide employees with opportunities that may be infrequent in a self-operated environment, such as career training and skill development in new and exciting areas. A good partner will nurture the talent on staff and identify ways that employees can build on existing skill sets, providing them with a more focused career track. This effort greatly contributes to overall employee engagement, which research has shown as being a key ingredient to an organization achieving financial success. The senior living community also benefits from this arrangement by obtaining an abundance of highly trained and motivated employees who take pride in their work and play an important role in the community's success.

RESIDENT SATISFACTION - Considering the many living options available to seniors today, senior living communities must continually offer best-in-class services and initiatives in order to meet resident expectations and increase retention. Partnering can provide an organization with the time and resources necessary to develop innovative ways to care for its residents. In addition, the partnering organization can help ensure that the community continues to provide superior initiatives and services. A natural by-product of continual enhancement of a community is clear distinction from other providers in the senior living market. As a result, the community will be more likely to retain current residents while also appealing to potential residents who are actively investigating senior housing options.



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PLANNING FOR THE FUTURE



EVOLVING NEEDS AND EXPECTATIONS OF TODAY'S SENIORS

It is the responsibility of any senior living partner to be aware of current industry trends. But beyond this, it is only the quality partner who provides the insight and information necessary to understand and address the potential impact those trends will have on future business. Quality partners offer a huge competitive advantage to senior communities by helping them stay current on the changing expectations of their clientele, while anticipating the future needs of this diverse population.

As senior living communities plan for the future, they must be familiar with the ever-changing needs and concerns of the senior population in order to appropriately adapt business plans to suit their residents.

While the senior population in the United States is indeed diverse, this demographic overall tends to be very well-educated and focused on maintaining a comfortable lifestyle. Today's seniors are also more actively involved as consumers than past generations. They seek and value convenience and also have high standards for the products and services in which they invest. As a result, seniors are looking for living options that are relevant to them and offer an "experience" rather than a "service."

As senior living communities plan for the future, they must be familiar with the ever-changing needs and concerns of the senior population in order to appropriately adapt business plans to suit their residents. Evolving considerations among seniors in a variety of areas may present communities with opportunities to differentiate themselves by offering relevant new initiatives or services. In some cases, this may also present the opportunity to investigate how a partnering relationship can help an organization to implement new initiatives.

TECHNOLOGY - Older Americans are becoming increasingly computer literate and, like Generations X, Y and Z, are starting to rely on the Internet for communication, entertainment and education. Increasing numbers of people over the age of 50 now utilize social media as a means to share updates and connect with family and friends. In fact, 2012 was the third year in a row that use of social media increased among baby boomers and senior citizens.⁸ A September 2012 study reported that 50 percent of adults ages 50 to 64 and 32 percent of adults ages 65 and over actively frequent at least one social networking site.⁸

Seniors are also utilizing the Internet at increasing rates to obtain health care information and connect with trusted peers regarding recommendations for housing and medical care.⁸ To be competitive now and in the future, senior living communities must meet the technological needs of these Internet-savvy seniors by providing exceptional computational resources, educational support and strong information technology services.

Partnering provides an effective and cost-efficient way for senior living communities to have access to the latest technological innovations and resources. This support not only allows the community to address residents' needs but also ensures that the organization remains competitive in the marketplace. In fact, an analysis published in LeadingAge's "Preparing for the Future: Developing Technology-Enabled Long-Term Services and Supports for a New Population of Older Adults" report found that senior living facilities that are willing to outsource technology installation to private vendors and have a forward-looking information technology team are much more likely to excel in providing exceptional technological resources to their clients.⁹

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HEALTH AND WELLNESS - Seniors tend to be more involved in activities that promote health and wellness than any other age group.¹⁰ Not only are they more likely to participate in health promotion activities, but they also actively seek out opportunities in this area. In addition, seniors who participate in wellness efforts report a greater psychological comfort, increased health knowledge and more confidence concerning the ability to manage their health.¹¹ Thus, initiatives offered in senior living communities that focus on health and wellness in the senior population can provide great benefits for residents. However, many communities may not have the experience or resources necessary for such activities and may benefit from a partnership with a company that has expertise in this area.

One such organization that focuses on the continued development of older adults is Masterpiece Living, LLC. According to Masterpiece Living, it is well known within the senior-housing industry that satisfied residents have a direct correlation to a senior community's health and bottom line. Based on the MacArthur Foundation's Study on Aging, Masterpiece Living's trademarked approach employs a research-based initiative that builds a more vibrant community for both residents and staff. Aging in place becomes more dynamic as older adults, through a series of measurable successes, continue to grow physically, intellectually, socially and spiritually.



DIETARY NEEDS - As ongoing medical research continues to provide more and more information regarding the link between nutrition and disease management, an increasing number of seniors are finding themselves on special diets. These could include diets low in fat and cholesterol for cardiovascular disease, reduced-sodium diets for hypertension, gluten-free diets for celiac disease, or low-calorie diets for weight loss. It can be difficult for seniors themselves to cope with these dietary restrictions and even more difficult for senior living communities to provide meals that specifically suit each resident. Partnering could provide a community with access to the resources necessary to manage these dietary challenges and offer dining options that optimally support the health and wellness needs of each resident.

THE ENVIRONMENT - Eco-awareness has been increasing among today's seniors, leading to a heightened call for environmentally conscientious retirement planning.¹² As a result, many assisted living communities have become increasingly focused on going "green" and making environmentally friendly choices for their residents. Partnering organizations may help communities further these initiatives by offering help with operations like laundry service, landscape design and energy management which have a significant impact on the environment.

SOCIAL RESPONSIBILITY - According to a Harris Poll survey, senior citizens are more likely to take social responsibility seriously than younger people.¹² For example, eco-awareness has been increasing among today's seniors, leading to a heightened call for environmentally conscientious retirement planning.¹³ As a result, many senior living communities have become increasingly focused on going "green" and making environmentally friendly and socially responsible choices for their residents. To further these objectives, senior living communities can greatly benefit from joining forces with a partnering company that supports these initiatives and prioritizes corporate and social responsibility. The partnering organization can oversee operations that have a significant impact on the environment like laundry services, landscape design, and energy management. They can also help foster diversity and inclusion in staffing and identify additional strategies to assist the senior living community enhance its own outreach and corporate citizenship efforts. All of this can be done at a cost-neutral or even at a cost reduction with the right partner.

IS PARTNERING THE APPROPRIATE NEXT STEP FOR YOUR COMMUNITY?

It is clear that under the right circumstances, partnering can provide countless benefits for senior living communities and can help these organizations better address the evolving needs of the senior living marketplace. However, the decision about whether or not to pursue partnering can be a difficult one for many senior living decision-makers. Partnering should be explored for the right reasons; the motivation behind the decision should be well understood; and the goal of entering into a partnership should be clearly defined. The following questions can help senior living decision-makers begin to determine if partnering is the right solution for their organization.

- **What is prompting me to consider partnering for my community?** Take a deep look at your organization when evaluating what a partnering relationship could bring to your community. Uncovering the root cause of operational inefficiencies can help to determine if partnering can provide your organization with the type of support that is needed. Often companies with whom you might choose to partner offer free auditing and site surveys that readily reveal these inefficiencies.
- **How do I prioritize my partnering needs?** Assess what needs to be accomplished to eliminate the constraints that pull you away from focusing on your core business. Does partnering provide a strategic solution for eliminating any of these operational barriers? Examine your weekly calendar and identify those activities which are core to your operation and those which are non-core. Such an activity can provide information on how you are spending time and if partnering would allow you to spend more time with those activities that are core to your mission.
- **What are my competitors doing?** Are emerging competitors utilizing partnering in their business plans? If so, partnering may provide an opportunity for innovation and allow your organization to remain competitive in the coming years.

ESTABLISHING A SOLID PARTNERSHIP

- When assessing potential partners, evaluate references and review case studies that demonstrate what the partner has achieved with other senior living communities.
- Select a partner who offers services that best address both the current and future needs of your organization. Beware of those companies that focus on one aspect of a service like “freshness” while ignoring operating inefficiencies.
- Consider only those partners who completely understand your business needs, your community’s culture and philosophy, as well as the importance of you maintaining control to ensure compliance with your organization’s overall mission.
- Negotiate the contract terms to establish an agreement that will allow your business objectives to be achieved. Ensure that risks and rewards are balanced so that you are able to obtain the level of service that you need within the constraints of your budget. Ask your partner to guarantee their services.
- Choose a partner who understands and values the importance of a transparent transition to maximize resident and employee engagement. Be sure they have the necessary support in place to meet all of your transition requirements from planning to implementation.
- Evaluate operations carefully, before and after partnering, to obtain a clear picture of improvements that have taken place and uncover areas where additional work is needed. Outline your expectations for your partner clearly so that a successful partnership is clearly defined.
- Put effort into cultivating the partnering relationship. Regularly evaluate your objectives and communicate with your partnering company

LOOKING TO THE FUTURE OF SENIOR LIVING

Today's senior living communities face a number of challenges as they strive to address the current needs of their residents and anticipate future trends within this growing population. Partnering could offer a strategic solution for addressing many of these challenges, since it may provide organizations with a cost-effective way to deliver the specialized services that their residents are demanding.

It is very clear that the senior marketplace will continue to evolve rapidly in the coming years. This evolution will undoubtedly provide many new opportunities for those in the senior living industry, but future success of communities will depend on the willingness of administrators to adapt and consider novel operational strategies. Partnering with expert organizations is one such strategy, and that strategy has the potential to offer many benefits to senior living communities.



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